

APPLIED TECHNOLOGY COUNCIL
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2024 AND 2023



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**APPLIED TECHNOLOGY COUNCIL
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Applied Technology Council
Redwood City, California

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Applied Technology Council (a state of California nonprofit organization), which comprise the statements of financial position as of December 31, 2024 and 2023, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Applied Technology Council as of December 31, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Applied Technology Council and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Applied Technology Council's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Applied Technology Council's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Applied Technology Council's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Denver, Colorado
July 7, 2025

**APPLIED TECHNOLOGY COUNCIL
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2024 AND 2023**

	2024	2023
ASSETS		
Cash and Cash Equivalents	\$ 2,398,182	\$ 2,794,872
Investments	4,809,163	4,742,356
Accrued Interest Receivable	14,360	13,070
Other Contract Assets	69,658	6,066
Contracts Receivable	704,412	392,598
Inventory	42,141	26,640
Prepaid Expenses	14,488	24,359
Deposits	10,550	10,550
Property and Equipment, Net of Accumulated Depreciation	31,665	7,136
Operating Right-of-Use Asset	633,119	790,700
	\$ 8,727,738	\$ 8,808,347
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable	\$ 577,881	\$ 537,385
Accrued Vacation	351,325	322,248
Lease Liability - Operating - Short-Term	150,120	127,254
Lease Liability - Operating - Long-Term	571,784	721,904
Other Liabilities	40,304	80,334
Contract Liabilities	-	63,622
Total Liabilities	1,691,414	1,852,747
NET ASSETS		
Without Donor Restrictions:		
Endowment and Board-Designated Funds:		
Endowment Fund	701,026	674,157
Product Improvement Fund	379,781	231,784
Total Endowment and Board-Designated Funds	1,080,807	905,941
Undesignated	5,955,517	6,049,659
Total Net Assets	7,036,324	6,955,600
Total Liabilities and Net Assets	\$ 8,727,738	\$ 8,808,347

See accompanying Notes to Financial Statements.

**APPLIED TECHNOLOGY COUNCIL
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2024 AND 2023**

	<u>2024</u>	<u>2023</u>
	<u>Without Donor Restrictions</u>	<u>Without Donor Restrictions</u>
REVENUES AND SUPPORT		
Grants and Contracts	\$ 3,962,599	\$ 3,742,240
Report Sales and Event Fees	216,460	107,174
Net Investment Income	348,563	485,845
Contributed Nonfinancial Services	1,092,458	1,069,100
Other Revenue	3,495	169,909
Total Revenues and Support	<u>5,623,575</u>	<u>5,574,268</u>
EXPENSES		
Program Services:		
Grants and Contracts	3,864,775	3,551,290
Reports and Events	183,026	48,524
Product Improvement	2,110	111,872
Endowment Fund	13,013	180,574
Other Projects	38,463	68,059
Total Program Services	<u>4,101,387</u>	<u>3,960,319</u>
General and Administration	1,441,464	1,384,350
Total Expenses	<u>5,542,851</u>	<u>5,344,669</u>
CHANGE IN NET ASSETS	80,724	229,599
Net Assets - Beginning of Year	<u>6,955,600</u>	<u>6,726,001</u>
NET ASSETS - END OF YEAR	<u><u>\$ 7,036,324</u></u>	<u><u>\$ 6,955,600</u></u>

See accompanying Notes to Financial Statements.

**APPLIED TECHNOLOGY COUNCIL
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2024**

	Program Services					Total Program Services	General and Administration	Total
	Grants and Contracts	Reports and Events	Product Improvement	Endowment Fund	Other Projects			
Compensation and Related Expenses:								
Employees:								
Salaries	\$ 483,603	\$ 19,284	\$ 892	\$ 9,479	\$ -	\$ 513,258	\$ 764,863	\$ 1,278,121
Benefits	128,638	5,129	237	3,158	4,800	141,962	203,516	345,478
Contract Panels, Consultant and Subcontractors:								
Consultant Services	2,028,907	35,198	-	-	-	2,064,105	-	2,064,105
Travel and Other Expenses	125,725	5,381	981	376	-	132,463	38,149	170,612
Total Compensation and Related Expenses	<u>2,766,873</u>	<u>64,992</u>	<u>2,110</u>	<u>13,013</u>	<u>4,800</u>	<u>2,851,788</u>	<u>1,006,528</u>	<u>3,858,316</u>
Board Meeting Expenses	-	-	-	-	5,603	5,603	65,905	71,508
Contributed Nonfinancial Services	1,069,960	22,498	-	-	-	1,092,458	-	1,092,458
Depreciation and Amortization	-	-	-	-	-	-	7,877	7,877
Insurance and Other Fees	-	3,220	-	-	25,385	28,605	19,350	47,955
Office Equipment and Supplies Expenses	27,942	92,316	-	-	2,675	122,933	161,511	284,444
Professional Fees and Dues	-	-	-	-	-	-	6,890	6,890
Rent	-	-	-	-	-	-	173,403	173,403
Total Natural Class Expenses by Function	<u>3,864,775</u>	<u>183,026</u>	<u>2,110</u>	<u>13,013</u>	<u>38,463</u>	<u>4,101,387</u>	<u>1,441,464</u>	<u>5,542,851</u>
General and Administrative Expenses Allocation*	<u>1,359,168</u>	<u>46,880</u>	<u>1,908</u>	<u>25,397</u>	<u>8,111</u>	<u>1,441,464</u>	<u>(1,441,464)</u>	<u>-</u>
Total Allocated Expenses	<u>\$ 5,223,943</u>	<u>\$ 229,906</u>	<u>\$ 4,018</u>	<u>\$ 38,410</u>	<u>\$ 46,574</u>	<u>\$ 5,542,851</u>	<u>\$ -</u>	<u>\$ 5,542,851</u>

* General and Administration costs in this line include costs that are attributable to the various organizational programs. These costs are shown within General and Administration on the statement of activities.

See accompanying Notes to Financial Statements.

**APPLIED TECHNOLOGY COUNCIL
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2023**

	Program Services					Total Program Services	General and Administration	Total
	Grants and Contracts	Reports and Events	Product Improvement	Endowment Fund	Other Projects			
Compensation and Related Expenses:								
Employees:								
Salaries	\$ 415,302	\$ 9,529	\$ 3,763	\$ 11,411	\$ -	\$ 440,005	\$ 708,795	\$ 1,148,800
Benefits	107,979	2,478	978	2,967	4,929	119,331	184,245	303,576
Contract Panels, Consultant and Subcontractors:								
Consultant Services	1,899,881	7,838	56,290	-	-	1,964,009	-	1,964,009
Subcontractor Services	-	-	22,845	-	-	22,845	-	22,845
Travel and Other Expenses	51,643	682	2,668	3,690	-	58,683	21,079	79,762
Total Compensation and Related Expenses	<u>2,474,805</u>	<u>20,527</u>	<u>86,544</u>	<u>18,068</u>	<u>4,929</u>	<u>2,604,873</u>	<u>914,119</u>	<u>3,518,992</u>
Board Meeting Expenses	-	-	-	-	2,709	2,709	34,608	37,317
Contributed Nonfinancial Services	1,037,919	5,853	25,328	-	-	1,069,100	-	1,069,100
Depreciation and Amortization	-	-	-	-	-	-	2,500	2,500
Insurance and Other Fees	1,357	2,417	-	6,549	26,009	36,332	18,591	54,923
Office Equipment and Supplies Expenses	36,249	19,727	-	138,457	29,412	223,845	243,077	466,922
Professional Fees and Dues	960	-	-	-	-	960	4,273	5,233
Rent	-	-	-	-	-	-	167,182	167,182
Sponsorships	-	-	-	17,500	5,000	22,500	-	22,500
Total Natural Class Expenses by Function	<u>3,551,290</u>	<u>48,524</u>	<u>111,872</u>	<u>180,574</u>	<u>68,059</u>	<u>3,960,319</u>	<u>1,384,350</u>	<u>5,344,669</u>
General and Administrative Expenses Allocation*	<u>1,302,972</u>	<u>24,177</u>	<u>20,343</u>	<u>27,449</u>	<u>9,409</u>	<u>1,384,350</u>	<u>(1,384,350)</u>	<u>-</u>
Total Allocated Expenses	<u>\$ 4,854,262</u>	<u>\$ 72,701</u>	<u>\$ 132,215</u>	<u>\$ 208,023</u>	<u>\$ 77,468</u>	<u>\$ 5,344,669</u>	<u>\$ -</u>	<u>\$ 5,344,669</u>

* General and Administration costs in this line include costs that are attributable to the various organizational programs. These costs are shown within General and Administration on the statement of activities.

See accompanying Notes to Financial Statements.

**APPLIED TECHNOLOGY COUNCIL
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2024 AND 2023**

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 80,724	\$ 229,599
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	7,877	2,500
Net Realized and Unrealized Gain on Investments	(236,882)	(413,962)
Reduction in the Carrying Amount of ROU Assets - Operating	136,202	134,954
Changes in Operating Assets and Liabilities:		
Accrued Interest Receivable	(1,290)	(1,473)
Other Contract Assets	(63,592)	(6,066)
Contract Receivables	(311,814)	470,562
Inventory	(15,501)	9,903
Prepaid Expenses	9,871	26,175
Accounts Payable	40,496	37,207
Accrued Vacation	29,077	41,109
Other Current Liabilities	(40,030)	(20,193)
Operating Lease Liability	(127,254)	(106,020)
Contract Advances	(63,622)	41,049
Net Cash Provided (Used) by Operating Activities	(555,738)	445,344
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Investments	(622,465)	(2,891,951)
Proceeds from Sale of Investments	792,540	2,824,906
Purchases of Property and Equipment	(11,027)	(7,151)
Net Cash Provided (Used) by Investing Activities	159,048	(74,196)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(396,690)	371,148
Cash and Cash Equivalents - Beginning of Year	2,794,872	2,423,724
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 2,398,182	\$ 2,794,872
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Noncash Items:		
Contributed Services	\$ 1,092,458	\$ 1,069,100

See accompanying Notes to Financial Statements.

**APPLIED TECHNOLOGY COUNCIL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023**

NOTE 1 ORGANIZATION

Applied Technology Council (the Organization) is a California nonprofit corporation. Founded through the efforts of the Structural Engineers Association of California, the Organization is charged with developing and promoting state-of-the-art, user-friendly engineering resources and applications for use in mitigating the effects of natural and other hazards on the built environment. The Organization is supported primarily by government contracts and grants, report reimbursements and event fees.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Organization's financial statements are prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities. Financial statement presentation follows accounting principles generally accepted in the United States of America (U.S. GAAP) promulgated by the Financial Accounting Standards Board (FASB). ASC 958-205, *Not-for-Profit Entities – Presentation of Financial Statements* requires the Organization to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor- or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Applied Technology Council does not have any donor-restricted net assets. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Cash and Cash Equivalents

The Organization considers all highly liquid investments available for current use with an original maturity of three months or less, including money market accounts, which are neither restricted by donors nor held for long-term purposes, to be cash equivalents.

**APPLIED TECHNOLOGY COUNCIL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and Investment Income

Investment purchases are recorded at cost, or if donated, at fair value on the date of the donation. Thereafter, investments are reported at fair value in the statements of financial position. Net investment appreciation (depreciation) in the fair value of investments, dividends, interest, and capital gains are reported in the statements of activities as investment income, net of investment expenses.

Contracts Receivable

Contracts receivable represent unreimbursed expenditures incurred under the terms of grants and contracts. Contracts receivable have been reviewed for future indicators and historical trends in regards to collectability by management, who have determined that there is no requirement for an allowance for credit losses as of December 31, 2024 and 2023.

Inventory

Inventory is comprised of reports and printed materials. Inventory is stated at the lower of cost or net realizable value. Cost is determined using the first-in, first-out (FIFO) method. Appropriate consideration is given to obsolescence, excessive levels, deterioration, and other factors in evaluating net realizable value.

Property and Equipment

The Organization capitalizes all property and equipment acquisitions in excess of \$1,000 and a useful life greater than one year. Purchased property and equipment is recorded at cost. Assets acquired by contribution or bequest are stated at fair value at the date of acquisition. Depreciation is provided using the straight-line method over the estimated useful lives of the assets. Maintenance and repairs are charged to expense as incurred. Expenditures that increase the value or productive capacity of assets are capitalized. When property and equipment are retired, sold, or otherwise disposed of, the asset's carrying amount and related depreciation are removed from the accounts and any gain or loss is included in operations. The estimated useful lives of property and equipment are principally as follows:

Office Equipment	3 to 5 Years
Furniture and Fixtures	3 to 7 Years

Leases

The Organization leases office space. The Organization determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use (ROU) assets and operating lease liabilities on the statements of financial position.

**APPLIED TECHNOLOGY COUNCIL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

ROU assets represent the Organization's right to use an underlying asset for the lease term and lease liabilities represent the Organization's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. As most of leases do not provide an implicit rate, the Organization uses a risk-free discount rate based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

The Organization has elected not to separate nonlease components from lease components and instead accounts for each separate lease component and the nonlease component as a single lease component.

Certain lease agreements include payments based for a pro rata share of the landlord's actual annual operating expenses incurred in connection with maintaining the rented premises, which is estimated at the beginning of each year, and adjusted at the end of each year. These amounts are considered variable lease payments and are excluded from the measurement of the right-of-use asset and lease liability. These payments are recognized in the period in which the related obligation was incurred. The variable lease cost recognized and disclosed for those leases in 2024 and 2023 is \$14,244 and \$3,223, respectively.

The Organization's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

In evaluating contracts to determine if they qualify as a lease, the Organization considers factors such as if the Organization has obtained substantially all of the rights to the underlying asset through exclusivity, if the Organization can direct the use of the asset by making decisions about how and for what purpose the asset will be used and if the lessor has substantive substitution rights. This evaluation may require significant judgment.

Accrued Vacation

The Organization accrues a liability for vested vacations to which employees are entitled depending on the length of service and other factors.

Grants and Contracts

Grants and contract revenue are reported at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing services to the funders as outlined in each signed agreement. Revenue is recognized over time as performance obligations are satisfied based on the fees outlined in each agreement, which may include, at times, variable consideration on a per unit basis.

**APPLIED TECHNOLOGY COUNCIL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Grants and Contracts (Continued)

Performance obligations are determined using the input method based on the nature and timing of the services provided by the Organization. Revenue for performance obligations satisfied over time is recognized based on actual costs incurred in relation to total expected (or actual) charges. The Organization believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation.

The Organization measures the performance obligation from the signing of the agreement and commencement of work to the point when all services as outlined in the agreement have been performed and final reports have been provided to the funder.

Payments received in advance of the performance of services deemed to be exchange transactions are deferred until such time as related expenditures are incurred and then revenue is recognized. Such amounts are included under the caption contract liabilities on the statements of financial position.

The timing of revenue recognition, billings, and cash collections results in billed accounts receivable, contract assets (unbilled receivables), and customer advances and deposits (contract liabilities) on the statements of financial position. Amounts are billed either when as work progresses in accordance with agreed-upon contractual terms, at periodic intervals (e.g. monthly), or upon achievement of contractual milestones. Generally, billing occurs upon revenue recognition, resulting in accounts receivable. Accounts receivable are collected within less than one year of billing. However, the Organization sometimes receives advances or deposits from its customers, before revenue is recognized, resulting in contract liabilities. These deposits are liquidated when revenue is recognized.

The beginning and ending contract balances are as follows as of December 31:

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Contracts Receivable	\$ 704,412	\$ 392,598	\$ 863,160
Contract Assets	69,658	6,066	-
Contract Liabilities	-	63,622	22,573

Contributions

The Organization records unconditional contributions in accordance with the requirements of U.S. GAAP for nonprofit entities. The Organization recognizes revenue for contributions based upon the presence or absence of donor-imposed conditions. For those contributions absent of donor-imposed conditions, revenues are recognized at the time the Organization is notified of the contribution and that promise is verified, regardless of the timing of cash receipt. For contributions with donor-imposed conditions – that is, those with a measurable performance or other barrier and a right of return or release – revenues are recognized at the time the conditions are substantially met, regardless of the timing of cash receipt.

**APPLIED TECHNOLOGY COUNCIL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions (Continued)

When a donor restriction expires, that is, when a stipulated time restriction ends, or the purpose of the restriction is accomplished, net assets with restrictions are reclassified to net assets without restrictions and reported in the statements of activities as net assets released from restrictions.

Contributed Goods and Services

Contributions of donated noncash assets are recorded at their fair market value in the period received. Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization (see Note 4).

Report Sales and Event Fees

Revenue from the sale of reports and conduct of events such as seminars, workshops, and webinars hosted by the Organization is recognized when the reports have been provided or the event has occurred.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis. Certain costs have been allocated among the programs and supporting services benefited. General and administration expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Allocation of Labor Overhead and Administrative Charges

Labor overhead and administrative charges are allocated to the various projects. The allocation consists of an abated rate on consultants' and subcontractors' service fees and an allocation of the remaining charges based on actual labor costs and benefits incurred on each project.

Overhead Allocation

The allocation rates established for each project for the years ended December 31 are as follows:

	<u>2024</u>	<u>2023</u>
Employee Benefits (a Multiplier of the Project's Staff Salaries)	26.60%	26.00%
Net General and Administrative Expenses (a Multiplier of the Project's Staff Salaries and Employee Benefits)	168.98%	190.91%
Abated Rate (a Multiplier of the Project's Consultant Service Fees)	16.00%	16.00%
Abated Rate (a Multiplier of the Project's Subcontractor Service Fees)	10.00%	10.00%

**APPLIED TECHNOLOGY COUNCIL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Organization has been granted tax exempt status by the Internal Revenue Service under Internal Revenue Code Section 501(c)(3) and by the Franchise Tax Board under California Revenue and Taxation Code Section 23701d. Accordingly, no provision for such taxes has been made in the accompanying financial statements. The Organization assesses its accounting for uncertainties in income taxes recognized in its financial statements and prescribes a threshold of more likely than not for recognition and derecognition of tax positions taken or expected to be taken in the tax returns.

Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant estimates include the collectability of grants receivable, accrued expenses, and the allocation of functional expenses.

Fair Value of Financial Instruments

The carrying value of certain financial instruments, including cash, cash equivalents, short-term investments, accounts receivable, contracts receivable, accounts payable, contract advances and accrued expenses, approximates fair value due to the short maturity of these instruments.

NOTE 3 FAIR VALUE MEASUREMENT OF INVESTMENTS AND INVESTMENT INCOME

As defined in the Accounting Standard Codification 820, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price methodology). Accounting Standard Codification 820 establishes a framework for measuring fair value that includes a hierarchy used to classify inputs used in measuring fair value. The hierarchy prioritizes inputs to valuation techniques used to measure fair value into three levels which are either observable or unobservable. Observable inputs reflect market data obtained from independent sources while unobservable inputs reflect an organization's view of market assumptions in the absence of observable market information. The level in the fair value hierarchy within which the fair value measurement falls is determined based on the lowest level input that is significant to the fair value measurement.

The three levels of the fair value hierarchy defined by Accounting Standard Codification 820 are as follows:

Level 1 – Fair value is based on unadjusted quoted prices in active markets that are accessible to the Organization for identical assets or liabilities. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis. These generally provide the most reliable evidence and are used to measure fair value whenever available. Valuations are obtained from readily available pricing sources for market transactions involving identical assets.

**APPLIED TECHNOLOGY COUNCIL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023**

**NOTE 3 FAIR VALUE MEASUREMENT OF INVESTMENTS AND INVESTMENT INCOME
(CONTINUED)**

Level 2 – Fair value is based upon significant inputs other than quoted prices in active markets included in Level 1, which are either directly or indirectly observable for substantially the full term of the asset or liability through corroboration with observable market data as of the reporting date. Level 2 inputs include quoted market prices in active markets for similar assets and liabilities, quoted market prices in markets that are not active for identical or similar assets or liabilities, model-derived valuations whose inputs are observable or whose significant value drivers are observable, and other observable inputs.

Level 3 – Fair value is based on significant unobservable inputs which reflect the Organization’s or third-party pricing service assumptions about the assumptions market participants would use in pricing an asset or liability. Valuations are estimated based on nonbinding broker prices or internally developed valuation models or methodologies, discounted cash flow models, and other similar techniques.

The following tables represent the Organization’s fair value hierarchy for its financial assets measured at fair value on a recurring basis as of December 31:

	2024			
	Level 1	Level 2	Level 3	Total
Money Market Funds	\$ 122,405	\$ -	\$ -	\$ 122,405
Mutual Funds:				
Equity Funds	1,589,305	-	-	1,589,305
Bond Funds	616,466	-	-	616,466
Equities	867,613	-	-	867,613
Asset Backed Securities	7,241	-	-	7,241
Corporate Bonds	-	1,308,627	-	1,308,627
U.S. Government Securities	297,506	-	-	297,506
Other	-	-	-	-
Total	<u>\$ 3,500,536</u>	<u>\$ 1,308,627</u>	<u>\$ -</u>	<u>\$ 4,809,163</u>

	2023			
	Level 1	Level 2	Level 3	Total
Money Market Funds	\$ 79,892	\$ -	\$ -	\$ 79,892
Mutual Funds:				
Equity Funds	1,572,755	-	-	1,572,755
Bond Funds	630,739	-	-	630,739
Equities	854,117	-	-	854,117
Asset Backed Securities	8,489	-	-	8,489
Corporate Bonds	-	1,497,061	-	1,497,061
U.S. Government Securities	63,567	-	-	63,567
Other	35,736	-	-	35,736
Total	<u>\$ 3,245,295</u>	<u>\$ 1,497,061</u>	<u>\$ -</u>	<u>\$ 4,742,356</u>

Investments include funds that are designated for following: operating reserves, board-designated endowment, and product improvement.

**APPLIED TECHNOLOGY COUNCIL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023**

**NOTE 3 FAIR VALUE MEASUREMENT OF INVESTMENTS AND INVESTMENT INCOME
(CONTINUED)**

Investment income consisted of the following for the years ended December 31:

	2024	2023
Interest and Dividends	\$ 154,608	\$ 156,106
Realized Gain on Investments	112,099	4,068
Unrealized Gain on Investments	124,783	409,894
Investment Fees	(42,927)	(84,223)
Total	\$ 348,563	\$ 485,845

NOTE 4 CONTRIBUTED NONFINANCIAL SERVICES

Contributions of services are recognized as revenue at their estimated fair value only when the services received create or enhance nonfinancial assets or require specialized skills possessed by the individuals providing the service and the service would typically need to be purchased if not donated. The Organization contracts with design professionals and researchers for consulting services. These consulting services are often rendered to the Organization at a rate which is less than that charged by these consultants in the normal course of their businesses. The Organization recognizes the difference between the reduced fees and the approximated "normal" fees as contributed services both as support and expense in the accompanying financial statements.

Contributed nonfinancial assets and services recognized as revenues and expenses within the statements of activities are as follows for the years ended December 31:

Nonfinancial Asset	2024 Revenue Recognized	2023 Revenue Recognized	Monetized or Utilized	Utilization in Function	Donor Restrictions	Valuation Technique
Design and Research Services	\$ 1,092,458	\$ 1,069,100	Utilized	Program Service	No	Market Value of Comparable Services
Total	\$ 1,092,458	\$ 1,069,100				

NOTE 5 PROPERTY AND EQUIPMENT

The following is a summary of property and equipment, at cost less accumulated depreciation, at December 31:

	2024	2023
Office Equipment and Furniture	\$ 128,829	\$ 137,167
Leasehold Improvement	21,379	-
Less: Accumulated Depreciation	(118,543)	(130,031)
Total	\$ 31,665	\$ 7,136

Depreciation of property and equipment amounted to \$5,665 and \$2,500 for the years ended December 31, 2024 and 2023, respectively.

**APPLIED TECHNOLOGY COUNCIL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023**

NOTE 6 BOARD-DESIGNATED NET ASSETS

The Organization's board has designated net assets without donor restrictions for the following purposes as of December 31:

	2024	2023
Endowment Fund	\$ 701,026	\$ 674,157
Product Improvement Fund	379,781	231,784
Total Board-Designated Net Assets	\$ 1,080,807	\$ 905,941

Endowment Fund

In 1989, the Organization's board established the Henry J. Degenkolb Memorial Endowment Fund, named in honor of a dedicated international leader in structural and earthquake engineering. All earnings in the accounts are to be added to the fund. This board-designated fund balance has been set aside as a reserve to support projects of critical importance to structural engineering design practice, but for which funds are not available from traditional funding sources. See Note 7 for additional information on the endowment fund.

Product Improvement Fund

In 2012, the Organization's board established a Product Improvement Fund to designate the surplus from certain fixed fee task orders under a task order contract to cover the expenses of improving existing products.

Changes in product improvement fund net assets for the years ended December 31 are as follows:

	2024	2023
Project Improvement Fund Net Assets -		
Beginning of Year	\$ 231,784	\$ 282,669
Contributions and Other Investment Return:		
Transfers	109,019	-
Net Investment Income	53,031	(3,572)
Net (Depreciation) Appreciation	(10,143)	59,574
Total Investment Return	42,888	56,002
Amounts Appropriated for Expenditure	(3,910)	(106,887)
Project Improvement Fund Net Assets - End of Year	\$ 379,781	\$ 231,784

NOTE 7 BOARD-DESIGNATED ENDOWMENT FUNDS

The Organization's endowment consists of one endowment fund (described previously in Note 6) established by the board of directors (the board) for the exclusive purpose of supporting projects of critical interest to structural engineering design practice, for which funds are not available from traditional funding sources.

**APPLIED TECHNOLOGY COUNCIL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023**

NOTE 7 BOARD-DESIGNATED ENDOWMENT FUNDS (CONTINUED)

The endowment includes funds that are designated by the board to function as endowments. Net assets associated with endowment funds, including board-designated funds functioning as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. Endowment funds without restrictions represent those funds designated by the board at the inception of the endowment plus additions not supported by an endowment agreement.

Interpretation of Relevant Law

The board of directors of the Organization intend to apply the provisions of the Uniform Prudent Management of Institutional Funds Act (UPMIFA), requiring the preservation of the spending power of the original gift as of the date of the gift to the extent possible. As a result, the Organization classifies as an endowment, the original value of gifts donated to the endowment, original value of subsequent gifts to the endowment, and accumulations to the endowment made in accordance with the board's intent to maintain its spending power.

Any portion of the endowment fund that is not held to perpetuity is classified as net assets with donor restrictions or board-designated net assets without donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate endowment funds:

- (1) the duration and preservation of the fund;
- (2) the purposes of the Organization and the board-designated endowment fund;
- (3) general economic conditions;
- (4) the possible effects of inflation and deflation;
- (5) the expected total return from income and the appreciation of investments;
- (6) other resources of the Organization; and
- (7) the investment and spending policies of the Organization.

The endowment fund net assets consist of board-designated funds at December 31, 2024 and 2023, which are endowment funds without donor restrictions. There are no donor-restricted funds at December 31, 2024 and 2023.

**APPLIED TECHNOLOGY COUNCIL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023**

NOTE 7 BOARD-DESIGNATED ENDOWMENT FUNDS (CONTINUED)

Interpretation of Relevant Law (Continued)

Changes in endowment fund net assets for the years ended December 31 are as follows:

	2024	2023
	Without Donor Restrictions	Without Donor Restrictions
Endowment Fund Net Assets - Beginning of Year	\$ 674,157	\$ 548,511
Contributions and Other Investment Return:		
Contributions	3,000	254,951
Net Investment Income	22,539	45,076
Net Appreciation	38,294	33,641
Total Investment Return	60,833	78,717
Amounts Appropriated for Expenditure	(36,964)	(208,022)
Endowment Fund Net Assets - End of Year	<u>\$ 701,026</u>	<u>\$ 674,157</u>

Funds with Deficiencies

From time to time, the fair value of assets associated with individual endowment funds may fall below the level that the board of directors requires the Organization to retain as an endowment fund. There were no funds with a net deficiency of this nature as of December 31, 2024 and 2023.

Return Objective and Risk Parameters

Every reasonable effort shall be made to replenish and increase the fund to an amount that, in the opinion of the board, is sufficient to meet the purpose of the fund. The overarching philosophy for the investment of the Endowment Funds and other financial accounts is to maintain principal, attempt to achieve returns that exceed current inflation rates and assure the funds are readily available when they are designated to be used by the Organization and its board of directors.

Strategies Employed for Achieving Objectives

The Organization's investment objectives are to generate sufficient long-term growth of capital, ideally 2% above the rate of inflation, without undue exposure to risk, to provide for spending distributions when needed, and to enhance the real purchasing power of the investments. To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation.

**APPLIED TECHNOLOGY COUNCIL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023**

NOTE 7 BOARD-DESIGNATED ENDOWMENT FUNDS (CONTINUED)

Spending Policy and How the Investment Objectives Relate to Spending Policy

The policy of appropriating for distributions annually requires that disbursements of endowment funds be approved by a two-third (2/3) majority vote of the board of directors or by a two-third (2/3) majority vote of the executive committee of the board between board of directors meetings. The board of directors may request all, a portion, or none of the appropriation be distributed in accordance with the endowment fund's purpose as defined by the endowment agreement or applicable board resolution. Any portion of the distribution not appropriated by the board shall be kept in the endowment fund, be governed by the endowment investment policy, and be available for future distribution in accordance with the distribution policy.

NOTE 8 PENSION PLAN

The Organization has a 401(k) plan for the benefit of its employees, with safe harbor provisions, including employee contributions, 3% employer nonelective contributions and employer discretionary contributions. An employee, aged 21 years or older, is eligible to become a participant six months after his/her employment commencement date. The full vesting period is five years. Contributions to the plan, included as employee benefit expense for the years ended December 31, 2024 and 2023, amounted to \$129,907 and \$109,063, respectively.

NOTE 9 LEASES

The Organization leases office space in Redwood City (California), and Arlington (Virginia). The Redwood City lease is an office facility under a long-term, noncancelable lease agreement. The lease expires in 2029 and provides for a renewal option of five years. In the normal course of business, it is expected that this lease will be renewed or replaced by a similar lease. Additionally, the agreement requires the Organization to pay real estate taxes, insurance, repairs, and certain other operating expenses. The average monthly rental payment under this lease will be approximately \$13,448.

The Arlington office was leased on a year-to-year basis until February 28, 2013, at which time, it became a month-to-month lease.

**APPLIED TECHNOLOGY COUNCIL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023**

NOTE 9 LEASES (CONTINUED)

The following table provides quantitative information concerning the Organization's Redwood City lease.

	<u>2024</u>	<u>2023</u>
Lease Costs (Included in Rent Expense):		
Operating Lease Costs	\$ 159,159	\$ 161,371
Short-Term Lease Costs	-	2,588
Variable Lease Costs	<u>14,244</u>	<u>3,223</u>
Total Lease Costs	<u>\$ 173,403</u>	<u>\$ 167,182</u>
Other Information:		
Operating Cash Flows from Operating Leases	\$ 150,212	\$ 132,437
Weighted-Average Remaining Lease Term - Operating Leases	4.3 Years	5.3 Years
Weighted-Average Discount Rate - Operating Leases	2.94%	2.94%

The Organization classifies the total undiscounted lease payments that are due in the next 12 months as current. A maturity analysis of annual undiscounted cash flows for lease liabilities as of December 31, 2024 is as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2025	168,934
2026	174,002
2027	179,222
2028	184,598
2029	<u>62,136</u>
Undiscounted Cash flows	768,892
Less: Imputed Interest	<u>(46,988)</u>
Total Present Value	<u>\$ 721,904</u>

NOTE 10 LINE OF CREDIT

The Organization has a working capital line of credit up to \$700,000 that bears interest 4% and is collateralized by the Organization's investment portfolio. The purpose of this line of credit is for temporary short-term cash flow needs. As of December 31, 2024 and 2023, there was no outstanding balance on the line of credit. Under the agreement, any outstanding interest and principal on the line of credit are due on demand.

**APPLIED TECHNOLOGY COUNCIL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023**

NOTE 11 CONTINGENCIES

Laws and regulations governing federal, state and county programs are complex and subject to interpretation. The Organization believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties, and exclusion from the federal, state and county programs.

NOTE 12 LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	2024	2023
Cash and Cash Equivalents	\$ 2,398,182	\$ 2,794,872
Investments	4,809,163	4,742,356
Accrued Interest Receivable	14,360	13,070
Other Contract Assets	69,658	6,066
Contract Receivable	704,412	392,598
Financial Asset Total	7,995,775	7,948,962
Less: Board-Designated Net Assets:		
Endowment Fund	(701,026)	(674,157)
Product Improvement Fund	(379,781)	(231,784)
Net Financial Assets Available for Liquidity	\$ 6,914,968	\$ 7,043,021

The contracts receivable are expected to be collected within one year. The Organization has a goal to maintain financial assets on hand to meet at least 12 months of normal operating expenses, which are on average approximately \$500,000 a month. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. The line of credit (see Note 10) can be used for liquidity purposes.

NOTE 13 CONCENTRATIONS

Significant Sources of Funding

The Organization receives a significant amount of its funding through federal cost reimbursement contracts and “fixed fee” contracts with Federal Emergency Management Agency (FEMA), National Institute of Standards and Technology (NIST) and other agencies. A change in the nature, extent and timing of these contracts, or a withdrawal of support from these agencies would have a significant impact on the Organization.

**APPLIED TECHNOLOGY COUNCIL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023**

NOTE 13 CONCENTRATIONS (CONTINUED)

For the year ended December 31, 2024, the Organization received 80% of its grants, contracts, report sales, and event fees revenue from one funder. For the year ended December 31, 2023, the Organization received 77% of its grants, contracts, report sales, and event fees revenue from one funder. No other funding organizations exceeded 10% of total revenue for the years ended December 31, 2024 and 2023.

As of December 31, 2024 the Organization had contracts receivables from three funders that accounted for 86% of the balance. As of December 31, 2023 the Organization had contracts receivables from one funder that accounted for 82% of the balance.

Credit Risk

The Organization maintains its cash balances at various financial institutions and brokerage firms. The Federal Deposit Insurance Corporation (FDIC) and Securities Investors Protection Corporation (SIPC) insure account balances up to \$250,000 and \$500,000, respectively. In 2016, the Organization contracted with a financial institution to distribute cash balances among a series of accounts so that all funds do not exceed the federally insured limits. There was no excess over the federally insured limits at December 31, 2024 and 2023.

NOTE 14 RELATED PARTIES TRANSACTIONS

During 2024 and 2023, the Organization paid various board members or related entities \$135,394 and \$124,530, respectively, for professional services.

NOTE 15 SUBSEQUENT EVENTS

The Organization has evaluated all subsequent events through July 7, 2025, which is the date the financial statements were available for issuance.

Alternative Indirect Rate Structure

The Organization has operated under an indirect rate structure established by the Defense Contract Audit Agency (DCAA) during a pre-award audit in 1986-87, and has calculated indirect rates using this basis ever since. Under this rate structure, general and administrative costs are recovered through two allocations: (1) an Abated Rate on direct consultant and subcontractor services charged to each project; and (2) a Net G&A Rate to allocate remaining costs based on direct staff salaries and fringe benefits charged to each project. The Abated Rates on consultant and subcontractor services are defined values (16% and 10%, respectively). The Net G&A rate varies each year based on the remaining indirect costs, as validated by audit. Under this rate structure, rates calculated using the Organization's 2024 financial statements are reported in Note 2.

**APPLIED TECHNOLOGY COUNCIL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023**

NOTE 15 SUBSEQUENT EVENTS (CONTINUED)

Alternative Indirect Rate Structure (Continued)

However, this two-tier rate structure is complicated to explain and implement, as noted in recent indirect cost rate negotiations. In response, the Organization has evaluated and implemented a change to a simplified, single-tier indirect rate structure for use on new contracts.

In 2023, the Organization negotiated a contract with FEMA for conducting future projects under a single-tier indirect rate structure in which allowable indirect costs are allocated based on total direct costs and benefits charged to each project, inclusive of travel and other direct costs. If the Organization's 2024 financial statements were used to calculate this alternative indirect rate, the single-tier Net G&A rate would approximate 47.9%.

Additionally, the Organization anticipates future contracts in which travel and other direct costs will be excluded from the allocation base. If the Organization's 2024 financial statements were used to calculate an alternative indirect rate excluding travel and other direct costs, the single-tier Net G&A rate would approximate 53.0%.

In both alternative rate structures, calculation of the fringe benefits rate, and allocation of benefits, are unchanged.



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